GOVERNMENT OF INDIA
DEFENCE
LOK SABHA

UNSTARRED QUESTION NO:1868
ANSWERED ON:10.08.2006
LOSS DUE TO DEFECTIVE PROVISION
Khan Shri Sunil

Will the Minister of DEFENCE be pleased to state:

(a) whether the Comptroller and Auditor General in its Report No. 6 of 2005 has pointed out that non-inclusion of a clause regarding payment of foreign exchange as per actuals in the supply order led to loss of Rs. 84.11 lakh to the exchequer;

(b) if so, the facts thereof and the reaction of the Government thereto; and

(c) the corrective measures taken to check recurrence of such cases in future?

Answer

MINISTER OF DEFENCE (SHRI PRANAB MUKHERJEE)

(a) & (b): As per the Foreign Exchange Variation Clause contained in the Supply Order of August, 2002, placed on Bharat Electronics Ltd. (BEL), a Defence PSU, for procurement of quantity 1022 Hand Held Thermal Imagers, the total foreign exchange content was at an exchange rate of 1 US$=Rs. 48.92. It also provided that any upward revision of the foreign exchange rate shall be compensated by the Ministry of Defence against BEL's invoices. In para 2.5 of the Report No. 6 of 2005 (Defence Services) of C&AG, it has been brought out, inter alia, that there was no provision in the Supply Order for downward revision in case of reduction in exchange rate and acceptance of this one-sided provision in the contract resulted in a loss of Rs. 84.11 lakhs to the Government on excess payment of FE content to BEL. The Action Taken Note has since been finalized and sent to Director General of Audit Defence Services.

(c) The Defence Procurement Procedure, 2005 contains guidelines for Foreign Exchange Variation in case of Defence PSUs, which will avoid recurrence of such cases.